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from: **Auto-By-Tel's offering will test market // INTERNET: The company is either a strong player or highly overrated, depending on who you listen to.; [MORNING Edition]***ANDRE MOUCHARD: The Orange County Register. Orange County Register. Santa Ana, Calif.: Apr 2, 1997. pg. c.01***Abstract (Summary)**

[Pete] Ellis' new venture is Auto-By-Tel. The 2-year-old, Irvine-based company is one of several start-ups trying to make a buck selling cars over the Internet.

Stock experts say the offering will test Wall Street's renewed love affair with the Internet. Auto experts say it also could provide some idea for how Internet-oriented auto dealers will fare when and if their industry grows up.

The way Auto-By-Tel works is easy to understand. Consumers punch up the company's Web site _ www.autobytel.com _ to get information about any new or used car or truck, or related auto services, such as financing. They then fill out a form with their preferences, plus their name, address and phone number. Within 48 hours one of the 2,000-plus car dealers who are linked to the service will give them a call.

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Full Text (1026 words)

Copyright © [Freedom Communications, Inc.](#) Apr 2, 1997

Pete Ellis went broke selling cars the old-fashioned way.

Now, as an Internet car salesman, Ellis hopes to get rich.

Ellis' new venture is Auto-By-Tel. The 2-year-old, Irvine-based company is one of several start-ups trying to make a buck selling cars over the Internet.

Ellis slipped into personal bankruptcy in 1994, three years after closing his chain of high-profile car lots. His new company is slated to go public as soon as this week.

Stock experts say the offering will test Wall Street's renewed love affair with the Internet. Auto experts say it also could provide some

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idea for how Internet-oriented auto dealers will fare when and if their industry grows up.

So, what exactly are investors getting in Auto-By-Tel?

Depending on whom you believe, the company is either a strong new player in one of Wall Street's few strong sectors, or it is vastly overrated.

The way Auto-By-Tel works is easy to understand. Consumers punch up the company's Web site _ www.autobytel.com _ to get information about any new or used car or truck, or related auto services, such as financing. They then fill out a form with their preferences, plus their name, address and phone number. Within 48 hours one of the 2,000-plus car dealers who are linked to the service will give them a call.

Consumers pay nothing for the service; dealers are supposed to pay a flat fee.

That simple idea _ which so far hasn't generated much money for Auto-By-Tel _ could cause a stir on Wall Street.

For Ellis _ who, through a spokeswoman, declined to comment because of laws against touting new stocks _ that's good news.

Of the 4 million Auto-By-Tel shares going to market, 400,000 are being sold by Ellis. Auto-By-Tel's stock is expected to be priced at about \$10.25 a share.

That means Ellis stands to reap about about \$4.1 million, while the company will raise about \$36.9 million, before expenses.

Counting the stock that's not being sold to the public, Auto-By-Tel is worth nearly \$200 million. Ellis' slice of the remaining pie is worth about \$58.2 million.

What Auto-By-Tel stockholders aren't getting, at least initially, is a stake in a money-making enterprise.

The company lost about \$6 million last year on sales of about \$5 million. In its brief history, the company has run up a deficit of \$7.1 million.

The company's prospectus adds that profit isn't in the near-term picture _ a prediction with which many auto industry experts agree.

"The Net is a tough place to make money selling cars," said Jeremy Amwyl, an auto industry consultant who helps dealers boost sales and profit.

Amwyl and others believe the Internet eventually could change the way cars are sold. But they also believe it could be years before a significant number of consumers are willing to order a vehicle without first taking a test drive and without dealing, face-to-face, with the salesman.

Until consumers change, most auto-related Internet companies probably won't see a huge profit.

"Right now, the Internet isn't going to provide much (new) business for (auto) dealers, so their interest in buying space (on the Internet) is limited," Amwyl said.

Dealer acceptance is critical for Auto-By-Tel. Of the 2,000-plus car lots that the company said were linked to its service at the end of last year, about 1,200 were paying customers.

Since December, Auto-By-Tel has tried to get its dealer-customers to sign contracts saying they won't use another Internet service. At the end of February, only 43 percent of the car sellers (and 24 percent of the auto lenders) had agreed to that condition.

Despite such hurdles, stock experts believe Auto-By-Tel will gain acceptance on Wall Street.

One reason is familiarity.

Unlike many Internet companies, Auto-By-Tel provides a service _ in this case, auto sales _ that investors can understand.

So far this year, Internet companies that provide a service have done well on Wall Street.

The catalyst came in January, when Internet search engine Yahoo Inc. posted a fourth-quarter profit of \$100,000 on sales of \$8.6 million. Since most experts figured Yahoo was two years away from making money, the slim profit boosted the company's stock from the \$20 range to more than \$35, before recently falling back to about \$30 a share. Other service-oriented Internet stocks also have benefited. And another Internet company, bookseller Amazon.com Inc., is expected in the next few weeks. Like Auto-By-Tel, Amazon.com lost money last year: \$5.8 million on sales of \$15.7 million.

"Most people don't expect these companies to make money for two to four years," said Ryan Jacob, director of research at IPO Value Monitor, a New York-based company that tracks and researches new stocks for big investors, such as mutual funds and pension funds.

"The investment is based on potential," Jacob said. He issued what he termed "a relatively neutral" opinion on Auto-By-Tel.

"The models on which they think they'll make money are constantly changing and moving, so it makes it difficult to pin down when (Auto-By-Tel) is going to make a profit," Jacob said.

Another issue that could interest Auto-By-Tel investors is the histories of key executives and directors.

In addition to Ellis' personal bankruptcy, Auto-By-Tel's co-founder, John C. Bedrosian, was a senior executive vice president at National Medical Enterprises from 1985 to '93.

Bedrosian was one of nine former National Medical executives who testified before the Securities and Exchange Commission in 1995, when the SEC looked at the Santa Monica nursing-home chain's financial disclosures from 1991. So far, the SEC has taken no further action, according to the prospectus.

In addition, two Auto-By-Tel board members _ Jeffrey Coats, managing director of GE Equity Capital Group, and Michael Fuchs, former chairman of [Home Box Office](#) _ also sit on the boards of companies currently in bankruptcy.

"That stuff doesn't bother me too much. (Auto-By-Tel) management still owns a big chunk of the company, so it's in their interest to have the company perform," said Jacob. "But I can see where it might bother some investors."

[Illustration]

COLOR PHOTO; Caption: ON THE INTERNET: Auto-By-Tel is one of several start-up companies trying to sell cars via computer. The 2-year-old business has yet to make money.

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


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Internet sites provide bargaining tools or
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02/06/97 Edition**

Eric C. Evarts, Staff writer of The Christian Science Monitor.
Christian Science Monitor. Boston, Mass.: Feb 6, 1997. pg. 9

Abstract (Summary)

The primary Internet aid is called Auto-by-Tel (which can be found on the Internet at www.autobytel.com). Unlike car-shopping services offered by some manufacturers, such as  Chrysler, Auto-by-Tel lets you order and buy a new car on-line. In fact, several warnings on the company's Web site admonish visitors to use the service only once they're serious about the car they want to buy, not as an information source to shop for cars, because that undermines Auto-by-Tel's credibility with dealers and its ability to get good prices.

Instead, Auto-by-Tel encourages customers to shop around at dealers and use other on-line information (ABT provides links to these other services), then contact Auto-by-Tel for the actual purchase. Auto-by-Tel then forwards the buyer's name and order to a local dealer, who calls the customer with a firm price, and, if the customer agrees, prepares all the paperwork in advance. The dealer can even drop the car off at the customer's doorstep, though most buyers prefer to come in, says Tom Ciresa, Auto-by-Tel's sales manager for Canada. The company has sold 350,000 cars in its two years of operation, and more than 40,000 of them in December.

Dealers offer good prices because Auto-by-Tel eliminates about \$1,500 per vehicle in personnel and marketing costs. Affiliated dealers dedicate certain salespeople to Auto-by-Tel deals. They work on salary plus bonuses based on customer satisfaction and overall volume. The dealer gets other advantages, too: Sales increase 20 to 40 percent, helping dealers' volume and ability to get inventory from the factory.

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Full Text (860 words)

Copyright Christian Science Monitor Feb 6, 1997

A revolution is sweeping the car-sales industry, and much of it is being fueled by the Internet's World Wide Web.

What the Web sites offer consumers is leverage against car dealers, which have long held pricing information close to their vests. You can get information about dealer rebates and manufacturer holdbacks, or use services that do the negotiating for you.

The goal is to save you the time of going from one dealer to another and back to get the best deal. If the new approach takes hold, buying a car may become almost as easy as buying a doughnut.

Similar car-purchase services have been available through consumer advocacy groups, discount warehouse clubs, and print publishers. Now they are all in one place: on your home computer. And new services are being offered as well.

The primary Internet aid is called Auto-by-Tel (which can be found on the Internet at www.autobytel.com). Unlike car-shopping services offered by some manufacturers, such as [Chrysler](#), Auto-by-Tel lets you order and buy a new car on-line. In fact, several warnings on the company's Web site admonish visitors to use the service only once they're serious about the car they want to buy, not as an information source to shop for cars, because that undermines Auto-by-Tel's credibility with dealers and its ability to get good prices.

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"Most of our customers go in focused on price, and come out talking all about what a good buying experience they had," Mr. Ciresa says. Auto-by-Tel can also arrange financing and auto insurance.

The Internet is also likely to revolutionize used-car sales soon. (Auto-by-Tel is starting a used-car buying service this month.) But for this to happen will require an independent board to rate the quality of the used cars, because buyers can't inspect them fully over the computer, says Donald Keithley a partner at [J.D. Power and Associates](#), in Agoura Hills, Calif.

Japan already has such a system, which rates cars on a scale of 1 to 10. Some used-car auction houses in the US are working on such a system, he says. And the manufacturers are starting down that road with their "certified" used-car programs.

Other Internet sites offer more traditional buying services that get a local dealer to submit a nonnegotiable competitive bid to the customer. The buyer then has to go to the dealership to take advantage of it. ①Microsoft's CarPoint (<http://carpoint.msn.com>) announced this week that it will start such a service. Three other such sites are AutoVantage (www.cuc.com/auto), Auto Town (www.autotown.com/autotown.html), and CarSmart (www.carsmart.com). All these sites also offer comparison shopping information, though CarPoint is by far the best organized. All three also have operational used car services, though coverage is spotty in some areas of the country, for example in the northeast.

For those who prefer to make their deals themselves, a number of traditional car-pricing publishers have brought their information on-line.

Fighting Chance (www.fightingchance.com) publishes all its information on pricing and dealer rebates on the Web and updates it frequently. It also includes all the skills you'll need to have to put the knowledge to work.

Edmund's Buyer's Guides are also on-line (www.edmunds.com). Oddly, the site is not quite comprehensive when it comes to less popular models and options.

And the ubiquitous Kelley Blue Book (www.kbb.com) provides its used-car pricing service in the easiest-to-use format anywhere. But it gives only wholesale trade-in values, not what you could get selling your old car privately.

All these sites are free.

Used-car buyers should not miss one last site. VINguard (sterba.com/vinguard) will take a vehicle identification number and search the vehicle's history. For \$19.95, you can be sure whether it has ever been stolen or involved in an accident. The site is temporarily down for reconstruction, but the service is still available by calling (707) 539-1444 or sending e-mail to: vinguard@aol.com

These services are having a profound effect on the way dealers sell cars, Ciresa says: "They're all having to learn how to deal with informed consumers."

[Illustration]

PHOTO: AUTO TOWN SQUARE: Auto Town, one of the Web's many car-shopping sites, offers pricing services on new and used cars, a parts ordering service, and facts about classic-car museums. AUTO TOWN

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AUTO-BY-TEL YOUR ON-LINE AUTO SOURCE; [FIVE STAR LIFT Edition]

Michelle V. Rafter 1996, Reuters News Service. St. Louis Post - Dispatch (pre-1997 Fulltext). St. Louis, Mo.: Aug 21, 1996. pg. 05.C

Abstract (Summary)

It's not enough that Auto-By-Tel, the on-line auto matchmaker, has lapped competitors like an Indy veteran.

Started by Pete Ellis, a former car dealer in Southern California, Auto-By-Tel matches upscale, Internet-savvy prospective car buyers with auto dealers willing to trim a little off their bottom line in exchange for easy access to qualified customers and lower marketing costs.

The company's free service is available on the Web (<http://www.autobytel.com/>), Prodigy (Jump: Auto-By-Tel), CompuServe (Go: Auto-By-Tel) and through Microsoft Network's CarPoint car buyer's guide.

Full Text (647 words)

Copyright Pulitzer Publishing Company Aug 21, 1996

TECHNOLOGY & YOU

It's not enough that Auto-By-Tel, the on-line auto matchmaker, has lapped competitors like an Indy veteran.

The company in Corona del Mar, Calif., is out to change how the auto industry sells cars and consumers buy them.

Started by Pete Ellis, a former car dealer in Southern California, Auto-By-Tel matches upscale, Internet-savvy prospective car buyers with auto dealers willing to trim a little off their bottom line in exchange for easy access to qualified customers and lower marketing costs.

The company's free service is available on the Web (<http://www.autobytel.com/>), Prodigy (Jump: Auto-By-Tel), CompuServe (Go: Auto-By-Tel) and through Microsoft Network's CarPoint car buyer's guide.

Auto-By-Tel isn't the only on-line source for new cars, but analysts believe it's running circles around the competition. Since going live in March 1995, the company has revved up to 30,000 car deals a month.

Auto-By-Tel itself doesn't sell anything. Rather, the company passes information collected on consumers who are ready to buy a car on to auto dealers who pay for exclusive rights to Auto-By-Tel's services within a specific geographic area. Dealer subscriptions run \$250 to \$1,500 a month.

The concept appears to be working. Auto-By-Tel has signed up close to 1,800 dealers and expects to earn undisclosed profits on revenue of \$7 million in 1996. That's just a start.

Soon Auto-By-Tel plans to announce a \$15 million private investment from several as-yet unnamed parties who will take a 15 percent stake in the company. The cash infusion will fund an assortment of ventures Auto-By-Tel wants to take on-line over the next six months, ventures Ellis predicts will boost revenue to \$50 million in 1997. Projects include:

Insurance. Recently, Auto-By-Tel teamed up with insurance giant American International Group Inc. (AIG) to begin offering low-cost auto insurance through the company's sites on the Web and on-line services.

Financing. Auto-By-Tel expects to launch its own auto finance company, called Auto-By-Tel Acceptance Corp., in November and fund between \$2 billion and \$3 billion in auto leases and loans in the first 12 months, according to Ellis, the company's president.

International divisions. Auto-By-Tel opened a Canadian division in April and is in a joint venture with AIG to move into other countries, which have yet to be announced.

Used cars. Plans call for Auto-By-Tel to introduce a used-car program in January 1997 that Ellis claims will help auto dealers compete head-on with used-car wholesalers such as Car Max.

Eventually, Auto-By-Tel will add individuals selling used cars to the system, he said.

According to at least one analyst, the company's plan to become an all-in-one car source sounds good but may be tough to execute. On the other hand, Auto-By-Tel could benefit from the attention surrounding the Internet, said Donald Keithley, a partner at J.D. Powers & Associates, the auto industry research firm.

The concept is simple. Prospective buyers show up at Auto-By-Tel's virtual headquarters knowing the model and make of the car they want along with other specifications, and use that information to fill out an interactive purchase request form.

An Auto-By-Tel employee matches the customer with the closest Auto-By-Tel dealer and faxes the dealer the request. Then it's up to the dealer to contact the customer and negotiate a deal. According to Auto-By-Tel, between 30 percent and 45 percent of purchase requests turn into sales.

The company's expansion plans haven't kept it from continuing to perfect its core business. Ellis claims to be spending \$200,000 a month on technology improvements, including a real-time request system that Auto-By-Tel is building with Electronic Data Systems Corp. and Dell Computer Corp.

The new system, which is being tested at dealerships in Richardson and Dallas, Texas, would instantly deliver purchase requests to dealers through the Internet. An audio prompt would let dealers know when a new request had arrived.

"Conceivably, the dealer could get back to you before you'd turned off your computer," Ellis said.

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STEPHEN LYNCH: *The Orange County Register*. **Orange County Register**. Santa Ana, Calif.: Jan 26, 1996. pg. c.01

Abstract (Summary)

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Two words: value added. Ask Auto-By-Tel's (<http://www.autobytel.com/>) national sales director John Honiotes why the service has had 50,000 customers in nine months and he'll talk about unique niches. Auto-By-Tel doesn't sell anything _ at least not online. A user just chooses the kind of vehicle she is interested in buying, and Auto-By-Tel's computers route that request to a local dealer, who calls the customer with a wholesale price.

Full Text (1158 words)

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Sure, "convenience," "ease of use" and "flexibility" are batted around as advantages of online shopping. But Jason Olim, co-founder of World Wide Web music merchant CDnow, has a different theory:

"There are a lot of people out there who don't want lines, who are scared of cashiers with pierced noses ... "

Excuse us?

"Yeah. You see, online there's no salesman who doesn't know anything, or is really abrasive," the 26-year-old entrepreneur says. "As people get older, they don't like music less, they just like the retail environment less."

Hence the automated sales force, where a few clicks bring compact discs to your door _ sans the pierced eyebrows and tattoos.

Sounds like a winner, especially with 25 million upper-middle-class techheads out surfing the Internet and more hype than Michael Jackson's marriage to promote the new age of cybershopping. Yet the most optimistic estimate of Internet commerce pegs revenue at \$400 million for all of 1995. Wal-Mart, counters Dataquest analyst Rick Spence, made \$86 billion (that's a "b") in the same period.

That \$400 million pie, meanwhile, is about as equally distributed as lunch money in a school full of bullies. Perhaps 80 percent of that figure, according to Dataquest, is monopolized by a few startups peddling music, computer parts, cars and flowers.

An odd mix? Not if you ask the midwives behind those businesses _ who agree it's not what you sell, it's how you sell it. And the reason not many people are buying _ and not many businesses are making money _ is that sellers haven't "gotten" online sales, the merchants say.

So we asked three succesful online business ventures _ CDnow, 1-800-Flowers and Corona Del Mar-based Auto-By-Tel _ for the secret to their savvy. And they all agreed: You can succeed even with a pierced nose.

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"We're a facilitator, a funnel _ we do all the work for them," Honiotes says. And the provider of a service that, if not unique to the Web, is at least perfectly suited for it.

The big problem with many online businesses, Honiotes says, is that they're trying to take existing marketing models and translate them onto computers. Instead, executives need to figure out ways to utilize the new medium _ through interactivity, databasing and multimedia.

At CDnow (<http://www.cdnw.com/>), for example, users can download audio clips from albums, while 1-800-Flowers (<http://www.800flowers.com/>) lets visitors look at pictures of arrangements.

Know your demographic. Think 18- to 35-year-olds. Think mostly men, but a growing percentage of women. Think upper-middle-class, discretionary income. They buy cars. They buy music. They know computers. They go on dates. Talk amongst yourselves.

Don't count out the online services yet. Most new businesses set up shop on the Web because it's a) cheaper and b) accessible by any major service provider. But Chris McCann, vice president of operations for 1-800-Flowers, says online services such as America Online may be more promising outlets.

"People sign on to the Web for information gathering, not shopping," he says. "The Web is too spread out to be convenient."

Since starting services on America Online and the Web in March, 1-800-Flowers has seen cybershopping take up 10 percent of its business. But McCann says those sales mainly come from AOL, where subscribers feel "more comfortable and more willing to buy."

He suggests that serious businesses look to open a Web site and strike a deal with one of the Big Four providers (AOL, CompuServe, the Microsoft Network or Prodigy).

Reinvest. Olim says CDnow made about \$10 million in 1995. Olim says his balance sheet says zero. Olim says all the profits went back into the company. Olim says he's crossing his fingers that someday he will have that house in the Bahamas, but he knows this is the only way to expand.

Brand names count. 1-800-Flowers had an advantage when it hit AOL and the Web _ people already knew what it was.

Richard Goodrich, system administrator for Ken's Flower Shop in Toledo, Ohio, unfortunately had no such reputation. He toils with the estimated 4,000 other flower shops online _ and in four months has gotten two orders.

Then again, his Web site only costs \$30 a month and "it's better to have it than to not."

CDnow, meanwhile, has built a name for itself out of the 90 or so major CD sellers online. Not because of any real-world ties (it was started as an online venture), but because it has a neat name, Olim says.

Make 'em feel safe. Many customers are nervous about the security of using credit cards online. Since there isn't much the average business can do about encryption and crackers, the best thing to do is offer customers flexibility, Honiotes says.

On Auto-By-Tel, users just submit their choices without credit card or obligation to buy. "You ask _ what's my risk?" Honiotes says. "The answer has to be nothing."

Always offer telephone or mail transactions in addition to E-mail, Olim adds. And many businesses let customers open accounts by phone that they can access with a password online.

Public relations is everything. "The problem with the Internet is once you get your name out there, and you make anyone unhappy, it spreads quickly," Olim says.

A user educated enough to visit an online business is probably also sophisticated enough to post his experience to a newsgroup or Web site. And the Net, like elephants or your mother, never forgets. If someone looks for your business with a directory such as Yahoo, the search may dredge up an old testimonial. With the ease of E-mail, evil rumors can be disastrous.

Olim offers only these suggestions: Keep every customer happy, and in the absence of perfection, own up quickly to mistakes and do whatever possible to make up for them.

Also, try participating in newsgroups and online discussions yourself. Make yourself known as an entity outside of your faceless persona. Provide a direct E-mail address (not mail@biz.com, rather johndoe@biz.com) and answer as many as possible personally. Even one sentence from the proprietor is better than paragraphs of stock junk.

Cross-publicize. This not from a businessperson, but from Spence, the analyst. "The thing most holding back Web commerce is a lack of understanding," he says. "There's a lack of critical mass."

The more businesses point customers toward online services, the more they're going to see a return, he says. Put your address on business cards, billboards, newspapers, the bottom of your E-mail signature, the side of your house ...

Stephen Lynch can be E-mailed at number6@link.freedom.com

[Illustration]

ILLUSTRATION; Credit: PAUL CARBO

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07 Dec 1998

INCHCAPE CLINCHES AUTOBYTEL DEAL

07 December 1998

INCHCAPE has bought the UK arm of American Internet car buying service Autobytel.

The move, exclusively predicted by Motor Trader three weeks ago (MT 16 November), should boost the business's marketing muscle as it battles for leadership in the fast-emerging on-line sector.

Milton Keynes-based Autobytel will become a wholly-owned subsidiary of the motor distribution giant, which a year ago bought a 3 per cent share in ABT UK's Californian parent Auto-bytel.com Inc. In February, the company announced it planned to launch in Britain during 1998.

Peter Johnson, chief executive of Inchcape Motors International, said part of the group's strategy was to maximise opportunities in new technology. "Autobytel has created an innovative sales process which is focused on customer empowerment, and we believe our motor industry experience puts us in an ideal position to take advantage of this concept."

Part of the attraction for Inchcape is that ABT will provide an outlet for its financial services arm. However, an Inchcape spokeswoman said Inchcape Financial Services would be only one of a number of financial suppliers available. Autobytel plans to begin trading early next year after unveiling the product at October's Birmingham motor show.

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